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October 16, 2006

The Honorable Charles L.A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

C. Dukes Scott
Executive Director
South Carolina Office of Regulatory Staff
P.O. Box 11263
Columbia, SC 29211

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COMMISSION

Re: Adjustment of June 2006 Firm Commodity Benchmark Calculation for Interruptible
Sales Pursuant to Section C of SCE&G's Purchased Gas Adjustment Tariff Sheet

Dear Mssrs. Terrini and Scott:

The purpose of this letter is to provide written notice to the Public Service Commission of South Carolina (the "Commission") and the South Carolina Office of Regulatory Staff ("ORS") that South Carolina Electric & Gas Company ("SCE&G" or "Company") has computed an Alternative Commodity Benchmark for interruptible sales that the Company made in June 2006.

Pursuant to SCE&G's Purchased Gas Adjustment Tariff-Section C, which was approved by the Commission in Order 2005-653, SCE&G may recalculate the firm commodity benchmark related to interruptible gas sales in cases where the average market price of gas supplies has changed within a month such that the Firm Commodity Benchmark plus \$0.02081 per therm is higher than the price quoted for interruptible sales for that month. A review of gas cost data for June 2006 indicated that these conditions occurred during that month. Accordingly, as permitted by SCE&G's Purchased Gas Adjustment Tariff-Section C, SCE&G has calculated an Alternative Commodity Benchmark for interruptible sales for June 2006 and has used that Alternative Commodity Benchmark plus \$0.02081 per therm in recalculating the Margin Revenue from those sales. Also in accordance with the tariff, the costs and quantities of gas used in this calculation were then excluded from the recalculation of the Firm Commodity Benchmark under SCE&G's Purchased Gas Adjustment Tariff-Section B. The result of the recalculation resulted in an increase in firm gas costs of \$302,643 for the month of June.

As required by SCE&G's Purchased Gas Adjustment Tariff --Section C, SCE&G hereby provides notice that it has computed the Alternative Commodity Benchmark described above for the month of June 2006. The resulting adjustment was recorded on SCE&G's books on September 15, 2006. The information in this letter is provided as a matter of notice and information only. Under the operative tariff provisions, no action by the Commission or ORS is required.

Sincerely,

A handwritten signature in black ink, appearing to read "Belton T. Zeigler". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Belton T. Zeigler

BTZ